

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Patrick N. Murphy	President	2013
Barry Goettsch (Resigned June 2011)	Vice-President	2011
Jeffrey Hayes	Secretary	2011
Wayne Meylor	Treasurer	2011
Dennis Bennett	Member	2012
Jay Bleil	Member	2011
Paul Jacobson	Member	2012
Jeff Waldner	Member	2012
Maggie Martinez	Member	2013
JoAnn Lanning	Member	2013
Patrick Schmitz	Executive Director	Indefinite

COUNTY BOARD LIAISONS:

Terry Graybill	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Allen Hilker	Ida County Supervisor
Rhonda Ringgenberg	Buena Vista County Supervisor

BURKHARDT & DAWSON

Certified Public Accountants

DONNA R. BURKHARDT, CPA
LAURA M. DAWSON, CPA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

We have audited the accompanying statement of financial position, of Plains Area Mental Health, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 25, 2010, was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2011 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BURKHARDT & DAWSON, CPA's

Burkhardt & Dawson, CPAs
Certified Public Accountants

August 17, 2011

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>			<u>2010</u>
	UNRE- STRICTED <u>FUND</u>	FURNITURE, FIXTURES AND EQUIPMENT <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 1,830	\$ 0	\$ 1,830	\$ 3,758
Cash in Savings and Money Market Funds	262,950	0	262,950	525,944
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$142,100 and \$136,600 at June 30, 2011 and 2010, Respectively	182,920	0	182,920	146,024
Other Receivables	21,317	0	21,317	32,053
Grant Receivables	22,553	0	22,553	21,288
Prepaid Expenses	0	0	0	878
Marketable Securities	<u>39,633</u>	<u>0</u>	<u>39,633</u>	<u>24,009</u>
 TOTAL CURRENT ASSETS	 <u>\$531,203</u>	 <u>\$ 0</u>	 <u>\$531,203</u>	 <u>\$753,954</u>
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 44,008	\$ 44,008	\$ 44,008
Office Furniture and Equipment	<u>0</u>	<u>533,691</u>	<u>533,691</u>	<u>274,762</u>
 TOTAL	 \$ 0	 \$577,699	 \$577,699	 \$318,770
 LESS - Accumulated Depreciation	 <u>0</u>	 <u>221,807</u>	 <u>221,807</u>	 <u>180,151</u>
 NET FURNITURE, FIXTURES AND EQUIPMENT	 <u>\$ 0</u>	 <u>\$355,892</u>	 <u>\$355,892</u>	 <u>\$138,619</u>
OTHER ASSETS:				
Investments	<u>\$ 11,000</u>	<u>\$ 0</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>
 TOTAL ASSETS	 <u>\$542,203</u>	 <u>\$355,892</u>	 <u>\$898,095</u>	 <u>\$903,573</u>

See accompanying notes to financial statements

	2011			2010
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 34,005	\$ 0	\$ 34,005	\$ 37,952
Deferred Grant Revenue	135,760	0	135,760	155,834
Payroll Taxes Payable	12,371	0	12,371	11,794
Accrued Salaries	93,899	0	93,899	83,386
Accrued Pension Payable	7,614	0	7,614	2,289
Insurance Payable	967	0	967	0
TOTAL CURRENT LIABILITIES	<u>\$284,616</u>	<u>\$ 0</u>	<u>\$284,616</u>	<u>\$291,255</u>
TOTAL LIABILITIES	<u>\$284,616</u>	<u>\$ 0</u>	<u>\$284,616</u>	<u>\$291,255</u>
NET ASSETS:				
Unrestricted:				
Undesignated	<u>\$257,587</u>	<u>\$355,892</u>	<u>\$613,479</u>	<u>\$612,318</u>
TOTAL NET ASSETS	<u>\$257,587</u>	<u>\$355,892</u>	<u>\$613,479</u>	<u>\$612,318</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$542,203</u>	<u>\$355,892</u>	<u>\$898,095</u>	<u>\$903,573</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>			<u>2010</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 260	\$ 0	\$ 260	\$ 1,000
Fees and Grants				
From Governmental Agencies	518,610	0	518,610	480,394
Outpatient and Community Services	1,468,601	0	1,468,601	1,328,574
Investment/Dividend Income	5,239	3	5,242	87,959
Recovery of Bad Debts	18,429	0	18,429	12,015
Miscellaneous Income	57,325	0	57,325	46,043
(Loss) on Disposal of Equipment	0	0	0	(920)
Unrealized Gain on Investments	3,981	0	3,981	3,154
Realized (Loss) on Investments	<u>(940)</u>	<u>0</u>	<u>(940)</u>	<u>0</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>\$2,071,505</u>	<u>\$ 3</u>	<u>\$2,071,508</u>	<u>\$1,958,219</u>
EXPENSES:				
Program Services:				
Outpatient and Community Support Services	\$1,230,918	\$ 0	\$1,230,918	\$1,074,964
Supporting Services:				
Management and General	<u>797,773</u>	<u>41,656</u>	<u>839,429</u>	<u>823,385</u>
TOTAL EXPENSES	<u>\$2,028,691</u>	<u>\$ 41,656</u>	<u>\$2,070,347</u>	<u>\$1,943,456</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>			<u>2010</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS FROM OPERATIONS	\$ 42,814	\$ (41,653)	\$ 1,161	\$ 14,763
OTHER CHANGES:				
Equipment				
Acquisitions (Net of Disposals)				
From Unrestricted Fund	(258,929)	258,929	0	0
TRANSFER OF FUND FROM UNRESTRICTED FUND	485	(485)	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>473,217</u>	<u>139,101</u>	<u>612,318</u>	<u>597,555</u>
NET ASSETS AT END OF YEAR	<u>\$ 257,587</u>	<u>\$355,892</u>	<u>\$ 613,479</u>	<u>\$ 612,318</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	2011			2010
	PROGRAM SERVICES OUTPATIENT AND COMMUNITY SUPPORT SERVICES	SUPPORTING SERVICES MANAGE- MENT AND GENERAL	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES
Salaries and Wages	\$ 605,053	\$365,897	\$ 970,950	\$ 874,734
Employee Benefits and Payroll Taxes	186,866	111,058	297,924	264,482
Employee Travel and Transportation	<u>17,038</u>	<u>18,601</u>	<u>35,639</u>	<u>27,489</u>
TOTAL SALARIES AND RELATED EXPENSES	\$ 808,957	\$495,556	\$1,304,513	\$1,166,705
Contracted Services	292,596	24,798	317,394	304,307
Professional Development	4,818	445	5,263	7,831
Supplies, Books and Literature	29,799	1,443	31,242	39,363
Telephone	22,364	2,347	24,711	22,364
Postage	8,649	0	8,649	6,131
Repairs and Maintenance	0	32,077	32,077	41,816
Rents	2,000	130,167	132,167	124,780
Conferences, Conventions and Meetings	696	10,523	11,219	6,160
Membership Dues and Subscriptions	708	5,756	6,464	8,726
Insurance	24,151	1,531	25,682	23,432
Miscellaneous	5,097	803	5,900	3,226
Advertising and Recruitment	23,608	622	24,230	18,773
Professional Services	7,475	39,287	46,762	44,250
Bad Debts	0	34,244	34,244	82,245
Utilities	<u>0</u>	<u>18,174</u>	<u>18,174</u>	<u>19,985</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$1,230,918	\$797,773	\$2,028,691	\$1,920,094
Depreciation	<u>0</u>	<u>41,656</u>	<u>41,656</u>	<u>23,362</u>
TOTAL EXPENSES	<u>\$1,230,918</u>	<u>\$839,429</u>	<u>\$2,070,347</u>	<u>\$1,943,456</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,161	\$ 14,763
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Sale of Equipment	0	920
Depreciation	41,653	23,362
Net Unrealized (Gain) on Investments	(3,981)	(3,154)
Realized Loss on Investment	940	0
(Increase) Decrease in:		
Accounts Receivable	(36,896)	(3,206)
Other Receivables	10,736	3,231
Grant Receivables	(1,265)	(3,308)
Prepaid Expenses	878	7
Increase (Decrease) in:		
Accounts Payable	(3,947)	(2,946)
Deferred Grant Revenue	(20,074)	(1,924)
Payroll Taxes Payable	577	1,504
Insurance Payable	967	0
Accrued Salaries	10,513	3,913
Accrued Pension Payable	<u>5,325</u>	<u>1,431</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,587</u>	<u>\$ 34,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ (258,929)	\$ (42,076)
Sale of Equipment Proceeds	0	650
Purchase of Marketable Securities	<u>(12,580)</u>	<u>0</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (271,509)</u>	<u>\$ (41,426)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (264,922)	\$ (6,833)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>529,702</u>	<u>536,535</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 264,780</u>	<u>\$ 529,702</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>	<u>2010</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 1,830	\$ 3,758
Cash in Savings and Money Market Funds	<u>262,950</u>	<u>525,944</u>
	<u>\$ 264,780</u>	<u>\$ 529,702</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux and Buena Vista Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

BASIS OF PRESENTATION - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2011 and 2010.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2011 and 2010.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

DATE OF MANAGEMENT'S REVIEW - Management has evaluated subsequent events through August 17, 2011, the date which the financial statements were issued.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2011 and 2010 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2011	\$ 40,262	\$ 629	\$ 39,633
2010	\$ 28,619	\$ 4,610	\$ 24,009

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars, Cherokee and Storm Lake offices under noncancellable operating leases. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2015. The Center rents a copier for the Storm Lake office under a noncancellable operating lease, which expires December 15, 2013. The operating lease expense under noncancellable operating leases was \$133,667 and \$122,883 for the years ended June 30, 2011 and 2010, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2012	\$133,667
2013	126,329
2014	62,766
2015	16,332
Thereafter	0
TOTAL	<u>\$339,094</u>

The Cherokee and LeMars offices sublease a portion of their office space. The Storm Lake office subleases a portion of their office space under a noncancellable operating lease. Total rent earned for the years ended June 30, 2011 and 2010 was \$29,910 and \$23,206, respectively.

The following schedule shows the minimum future rental revenue due under noncancellable subleases.

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2012	\$ 12,150
2013	12,150
2014	12,150
2015	4,050
Thereafter	0
TOTAL	<u>\$ 40,500</u>

NOTE 4 - CONTINGENCIES:

Sick leave hours were converted to Paid Time Off (PTO) in fiscal year 2008 at the rate of one sick leave hour equals .25 PTO hours. PTO includes vacation and converted sick leave. A terminated employee may be paid up to a maximum of 160 hours. During a transition period that ended December 31, 2010, an employee could have more than 160 hours of PTO accrued. The Center's appropriate maximum liability for unrecognized accrued employee benefits at June 30, 2011 and 2010 was \$-0- and \$5,438, respectively.

NOTE 5 - PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$33,672 and \$28,714 for 2011 and 2010, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - OTHER ASSETS:

The Center has joined with other similar agencies to form Tri-State Behavioral Health Association. This is a nonprofit group formed to benefit its members. The original investment was \$11,000. It is carried at cost.

NOTE 7 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - CONCENTRATION OF CREDIT RISK:

Plains Area Mental Health, Inc. maintained deposits in a financial institution that exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) at June 30, 2010.

NOTE 9 - UNEARNED INCOME:

Plains Area Mental Health, Inc. received a grant for telehealth services and equipment. The Center has reported unearned income and will recognize the revenue as they incur the corresponding expenses. The original grant included funds for equipment of \$53,690 and an award for providing services of \$158,700. The grant for equipment was recognized when the equipment was purchased. Service revenue recognized through June 30, 2011 and June 30, 2010 is \$22,940 and \$2,866, respectively. Revenue recognized for the years ending June 30, 2011 and June 30, 2010 was \$20,074 and \$1,924, respectively.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>	<u>2010</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$156,074	\$149,472
Cherokee County, Iowa	73,840	74,230
Ida County, Iowa	49,412	52,042
Buena Vista County, Iowa	111,875	115,053
Other Iowa Counties	<u>4,040</u>	<u>1,840</u>
	<u>\$395,241</u>	<u>\$392,637</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 77,250</u>	<u>\$ 48,219</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 3,236</u>	<u>\$ 6,089</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 9,000</u>	<u>\$ 8,000</u>
JAIL SERVICES	<u>\$ 1,200</u>	<u>\$ 5,175</u>
STIMULUS GRANT	<u>\$ 0</u>	<u>\$ 15,350</u>
COMMUNITY FOUNDATION GRANT	<u>\$ 0</u>	<u>\$ 3,000</u>
CHEROKEE FOUNDATION GRANT	<u>\$ 3,091</u>	<u>\$ 0</u>
DECAT UPPER DES MOINES GRANT	<u>\$ 1,693</u>	<u>\$ 0</u>
TELEHEALTH GRANT	<u>\$ 20,074</u>	<u>\$ 1,924</u>
PLYMOUTH COUNTY LOST FUNDS	<u>\$ 7,825</u>	<u>\$ 0</u>
	<u>\$518,610</u>	<u>\$480,394</u>

See accompanying independent auditors' report

BURKHARDT & DAWSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit Plains Area Mental Health, Inc.'s responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

August 17, 2011

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response accepted.

- (B) Bank Statements - Bank statements do not coincide with the Center's fiscal year end.

Recommendation - Bank statements should cut off on the same month and date as the Center's fiscal year end.

Response - Primebank was contacted. A request was made for monthly statements on this particular account.

Conclusion - Response accepted.